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FARM INDEX

U.S. Department of Agriculture
March 1977

Perking Prices Plague Coffee Lovers

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Outlook

Wheat and meat take the spotlight as the curtain falls on Act I of U.S. agriculture 1977. Moving into the second quarter, we know the wheat crop should be smaller than last year's, although taking stocks into account, there will be more than enough to go around for domestic use and export.

The scenario for red meats is interesting because (1) beef production is heading down due to low profits to cattlemen in recent times, and (2) pork production is heading up. Overall, we'll have somewhat greater supplies of red meats through mid-1977 than a year ago.

Getting back to wheat, bad weather in recent months sided with good economics, and urged farmers to cut back on plantings. Winter wheat farmers decided to sow less than in the fall of 1975 because they saw greater profits in crops like corn and soybeans. Then, the dry fall and cold winter raised havoc with the winter wheat crop.

Growers of spring wheat were less bothered by weather than economics. Percentage-wise, plantings of spring wheat are down even more sharply than the winter variety. The competitive edge apparently is going to barley, oats, and oil crops.

When you add up the winter wheat plantings and January's planting intentions for spring wheat, you come up with a total wheat acreage that is about 7 percent under last year's 80 million acres.

USDA analysts are quick to note that timely rains could improve the outlook for yields, and that prolonged dry weather could further depress them. So, right now the production story is far from ended. In any event, we will have plenty of wheat this year.

Carryout of old wheat stocks before the new year's harvest begins this summer is expected to be the largest in many years, thanks to 1976's bumper crop and weak export demand.

Our wheat exports in 1976/77 may drop below the 1-billion bushel mark for the first time in 5 years. Worldwide, the wheat harvest will be the biggest ever, exceeding the 1975 high by around a tenth. And world wheat stocks at the close of 1976/77 could be the largest since 1968/69.

The upshot is lower wheat prices to growers: This season's price will likely average about $2.75-$3 a bushel, down from $3.55 in 1975/76.

Sagging prices nag the livestock industry, too, and that's why cattlemen are trimming their herds. Record large production of commercial beef last year pulled down fed cattle prices to the lowest level since 1972. Larger meat supplies through the first half of 1977 will keep pressure on those prices.

Pork production will more than make up for the lagging beef production. The cyclical buildup in hog numbers is expected to produce around 20 percent more pork in the first half of this year compared with last.

Total red meat output is slated to expand 4 to 6 percent over first-half 1976, the credit due to pork.

Retail meat prices will creep up in the spring, led by beef. Retail pork prices should stay on an even keel for the first half of 1977 but will average well below the same period of 1976.

Demand for meat in the spring will remain fairly even. But assuming tax cuts come to pass and inflation eases up, demand should liven in the last half of 1977.

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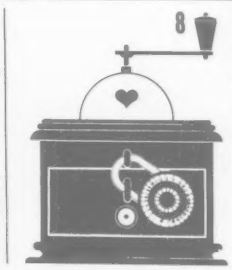

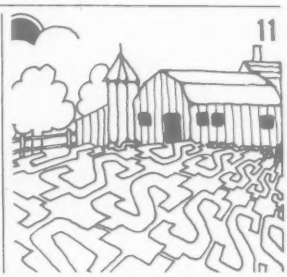

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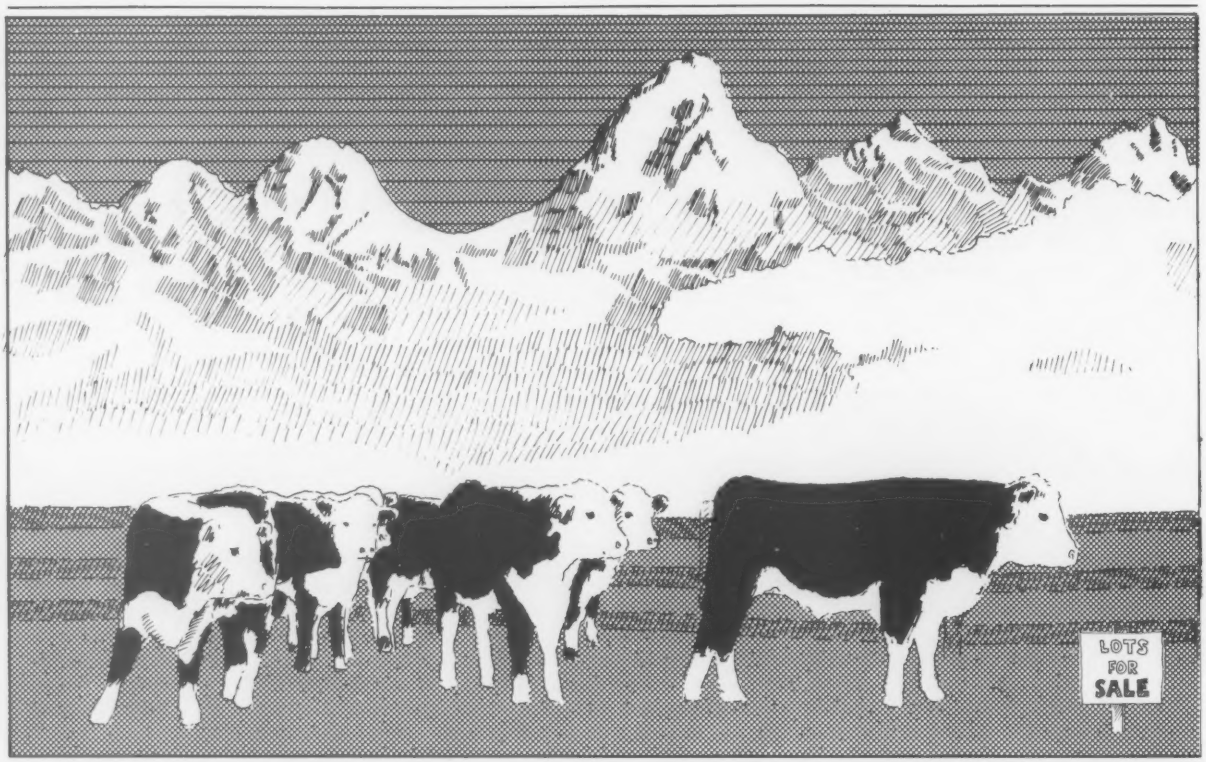
Homes on the Range



You finally succumb and take them up on the offer. That mail come-on says just drive out and the salesman will help you realize your dream of owning a little recreation-retirement place in the country.

Be careful, you warn yourself. You know they're out to get you. Those stories of ripoffs galore—you'd think everybody who buys must be a sucker. True? While many such recreational land developments are shady—in more ways than one—there are exceptions, at least in some southern Colorado mountain developments, a recent ERS study reports.

Despite woeful stories told by victims of some development schemes, the report says that many of the surveyed Colorado buyers have been quite satisfied.

A gnawing concern. Yet, even when buyers are happy, the trend toward such developments gives rise to a gnawing concern which is emphasized by the report: What is the impact of a recreational-retirement development on the land, the local community, and the environment?

Protection of the buyers and protection of the interests of society may, then, become separate and even conflicting issues.

"They're permanently taking good land out of food production for trivial purposes, and someday we'll all be sorry." Country people have talked like that for years around the general store counter.

And, although ERS has estimated that enough land will stay in agricultural use over the near future to satisfy all our needs and then some, we have seen a net loss of about 1 million acres of farmland annually to other uses. This is a tiny but persistent fraction of the

roughly 385 million acres of land available for crop production.

Fragmentation concerns. In addition to the problem of the fragmentation of land ownership, the recreation-retirement developments raise other concerns:

- Of environmentalists that they may both harm wildlife and rural habitats worth preserving.
- Of local governments that they will bring a flood of newcomers demanding more services.

Another concern, about land control, was highlighted in an earlier ERS study. It examined a largely rural county being impacted by a major population center: Rappahannock County, Va., within 70 miles of the Nation's Capital.

Researchers found that only 47 percent of the landowners maintained legal residence in the county, yet they owned 58 percent of the land. Agriculture had declined in importance. A mere 5 percent of surveyed landowners considered themselves to be primarily farmers.

Join the crowd. While all the larger concerns may be valid, the itch to own a place of your own may quickly turn to scratch, and before you know it, you've scribbled your name on a contract. You thus join more than 5.7 million other families already owning recreational homes, lots, or other property in outlying areas, according to the American Society of Planning Officials. What's more, the number is predicted to double by 1985.

To help protect the buyer, and reflecting numerous sharp practices by promoters in the past, a few State governments have recently enacted strict controls on recreational land sales. California has one of the toughest laws, requiring, for instance, that purchasers be given 14 days to pull out of a contract if they have a change of heart.

Happy Coloradans. In the ERS study of 58 southern Colorado subdivisions, 328 lot owners responded to a survey, and three-fourths of them expressed satisfaction with their purchases.

Perhaps a major reason was because, as watchdog groups recommend, about nine-tenths of the people returning survey forms had seen their lots before buying. Furthermore, in this survey, over half of them had heard of the developments from friends or relatives.

In considering the impact on local governments of these subdivisions, the ERS study found that only a third of the lot buyers at the time of the survey were planning eventually to move permanently onto their property. About half of those were thinking within a time frame of 5 years; the rest, longer.

Avoid hasty action. Thus, lots in a new development may be selling like wildfire now, but that shouldn't necessarily stampede a local government into hasty action. The actual need for services may climb much more slowly.

As for land use impact, nearly all the Colorado subdivisions in the ERS study had been carved out of land formerly used for grazing livestock. This kind of land may not seem at first glance to be agriculturally critical. However, in the case of at least one of the developments, it sharply reduced the range-carrying capacity of what had been an efficient and profitable one-family ranching operation, according to a neighboring rancher.

"The deer hunting isn't nearly as good as it used to be, either," he added.

Endangered wildlife. Confirming this assertion was a Colorado Division of Wildlife survey of the impact of subdivisions on wildlife on or near lands in the general vicinity of this rancher's property.

The survey identified at least 11 species of wildlife being endangered by the subdivisions, and mule deer led the list. Free-roaming dogs were identified as one of the biggest wildlife problems associated with mountain subdivisions. Only 1 of the 58 subdivisions in the ERS study had placed restrictions on lot owners' dog activities.

The influx of urbanites to countryside havens may, then, offer both a boost of new, vitalizing wealth and a growing headache for the community that receives them.

Community problems. Community leaders in rural and small town America have been applauding the halt of the population exodus to the cities, as noted by ERS, and the signs of revitalization in the countryside. As manifested by the burgeoning recreation-retirement developments, however, there are some big problems surfacing in addition to those encountered by the lot buyer.

[Based on "Impacts of Recreation Subdivisions in the South-Central Mountains of Colorado," by Herbert Hoover; *Land Along the Blue Ridge*, AER 299, by Gene Wunderlich; and personal communication from Roscoe Blankenship, Hillside, Colorado.]

Shattering a Stereotype: Hired Farmworkers

The popularly held image of a hired farmworker may be a middle-aged black or Spanish-origin migrant laborer.

Yet, as is often the case with stereotypes, the image is erroneous.

As a matter of fact, ERS researchers have found that most hired farmworkers are young, white males, who engage in farm labor on a casual or seasonal basis. At the same time, about 7 percent of all hired farmworkers are migrant laborers.

The racial composition of the farm working force is, indeed, changing, but in a perhaps surprising manner.

Fewer blacks. Blacks comprised only 16 percent of the hired farm labor working force in 1973-75, down sharply from 30 percent in 1963-65. In numbers, this was a 59-percent drop.

All told, there were 2.6 million Americans, 14 years or older, doing hired farmwork sometime during 1975, according to an ERS report based on data obtained in December 1975 from supplementary questions in the Current Population Survey of the Bureau of Census.

This was about consistent with the 2.7-million-person average during the past 5 years. Annual employment of farmworkers appears to have stabilized after the long-term downward trend of prior years.

A close examination of the data in this report shows that most workers don't live on farms. Less than a fourth of all hired farmworkers are farm residents.

More than half the work force in 1975 were not in the labor force most of the year—most of these were students.

Casual and seasonal hired farmworkers were far more common than full-time workers, with almost half working on farms for wages for less than 25 days (casual workers); a third between 25 and 149 days (seasonal); about a tenth between 150 and 249 days (regular); and 13 percent working 250 or more days (year round).

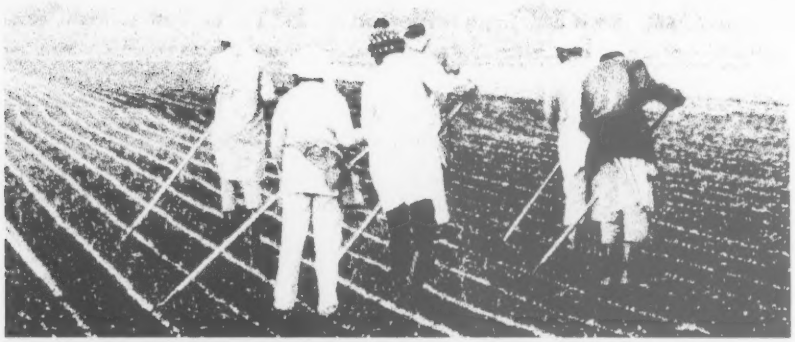
Nonfarm earnings. A large portion of the farm work force also had some nonfarm earnings, with 41 percent taking nonfarm jobs at some time during the year.

Although regular and year-round workers comprised only 22 percent of the total hired farm work force, they did two-thirds of the farmwork.

Not surprisingly, then, income varied considerably among these groups. The average hired farmworker earned $1,488, or $17.50 per day for 85 days of farmwork.

Casual workers, who make an average of only $13.50 per day, pull down the overall earnings statistic so that when they are excluded, the average farmwork income for other categories of workers rises to $2,584, or $17.70 per day.

Western workers ahead. Regional location is another important factor associated with the wage rate differences, with western workers earning an average of $20.45 per day, and northeastern workers earning only $14.85.



The racial and ethnic composition of the 1975 work force includes 72 percent white, 17 percent black and others, and 11 percent Spanish-origin. In prior surveys, Spanish-origin worker statistics were not collected as a separate category, thus historical data for this group are not available.

Spanish-origin farmworkers showed a greater tendency for longer farm employment — averaging 110 days, compared with 81 days for whites, and 83 for blacks and others. Also, white and black and other workers were more likely to be casual laborers than were Spanish-origin workers.

Farm earnings of white workers averaged less than minority workers. Spanish-origin workers averaged $2,154 in annual farm earnings, compared with $1,524 for blacks and others, and $1,379 for white farmworkers.

Outside earnings. The earnings gap between whites and racial or ethnic minority workers may be diminished considerably by a much greater tendency for whites to engage in other work during the year besides that on the farm. Almost half (46 percent) of the white farmworkers also had nonfarm employment, compared with 28 percent of the blacks, and a fourth of the Spanish-origin farmworkers.

About 188,000 migrant farmworkers worked in the U.S. in 1975—about 7 percent of the total hired farm working force.

Different mixture. The composition of the migrant hired farm work force differs somewhat from that of the total hired farm work force. While whites are still in the majority with 63 percent of the total, a fourth are of Spanish origin, and only 12 percent are blacks and others.

Six out of 10 migrants were employed only in farmwork, with an average annual income of $2,656. The remaining 39 percent, who also had nonfarm employment, averaged $1,107 from farmwork, and $3,317 from nonfarm jobs.

Besides the significant shifts in the racial composition of the work force, the researchers noted several other important trends.

The South has long been the most active region in employing hired farmworkers. During the 1963-65 period, about half of all hired farmworkers lived in the South.

Southern losses. However, during the 10 years preceding the 1973-75 period, the number of resident hired farmworkers in the South dropped 43 percent, while the Northeast had a one-fifth decline and the North Central gained about one-fifth. The Western region's hired farmworker population remained stable.

As a result, the 1973-75 averages show that 38 percent lived in the South, about a fourth each in the North Central and in the West, and about a tenth in the Northeast.

Another trend is a general decrease in the number of all persons in all employment duration categories except year-round workers. While year-round workers remained relatively constant during the 10 years, the total number of hired farmworkers dropped by a fifth from the 1963-65 period, until the 1973-75 study.

More workdays per worker. Coupled with that trend, the number of man-days of hired farmwork dropped 11.5 percent in that period—a far lesser decline than in the number of workers. This means that the average worker in the 1973-75 period was employed more days than in the 1963-65 period.

While hired farmworker wages are still low compared with those of industrial workers, the average annual earnings from all sources more than doubled between 1965 and 1975, from $1,054 to $2,552. The increase came from both a greater number of days worked, and higher daily earnings. However, the increase in purchasing power is considerably less than the income in annual earnings, since these figures aren't adjusted into "real dollars"—a constant equivalent that removes the inflation factor.

Student workers. Finally, more than half of the 1975 hired farmworkers indicated that they were out of the labor force most of the year. School attendance and housekeeping were the two most commonly cited major activities among these people.

The school attendance factor has grown. In 1962, about half of the persons out of the labor force most of the year who did some hired farmwork were students. This figure reached 73 percent in 1975. In all, students accounted for almost 40 percent of all persons in the 1975 hired farm working force.

[Based on the report, "The Hired Farm Working Force of 1975," by Gene Rowe and Leslie Whitener Smith, Economic Development Division.]

Perking Prices Plague Coffee Lovers

To those millions of Americans who feel they can't leave home in the morning without a cup of their favorite brew, the rising cost of coffee is a serious matter.

So serious that some of the more diehard drinkers have been participating in a nationwide boycott. *Washington Post* humorist Art Buchwald has even hinted that the Nation's number one energy project may soon be to find a way of making coffee out of coal.

Although some consumer advocates are having a hard time getting worked up about a product that has absolutely no nutritional value—not to mention the fact that the caffeine in coffee is addictive and can induce such symptoms as nervousness, irritability, lethargy, insomnia, and headache—others feel that they can't do without it and that the only way to lower the price is to reduce consumption.

Boycott. Whatever the merits of a massive, nationwide boycott (ERS economists feel that a boycott in the U.S. alone may not be enough to bring down coffee prices, since the demand for coffee appears to be highly inelastic and we use only about a third of the world's production), everyone agrees that coffee prices have skyrocketed.

For example, the average unit import value of imported green coffees from all countries in December 1975 was 68 cents per pound. One year later, the price had almost doubled—to $1.40 per pound. The average cost for 1975 as a whole was 58 cents.

In consumer language, a 1-pound can of roasted coffee went from an average $1.51 in December 1975 (retail value) to $2.38 in December 1976, according to the Bureau of Labor Statistics.

The phenomenon behind the dramatic rise in coffee prices occurred in July 1975, when a severe frost struck principal Brazilian coffee-growing regions, killing many of the trees in Paraná—normally Brazil's main producing State—and sharply limiting production in São Paulo. Other growing areas were less severely affected, although USDA believes the freeze was the worst—in terms of area covered and severity—within living memory.

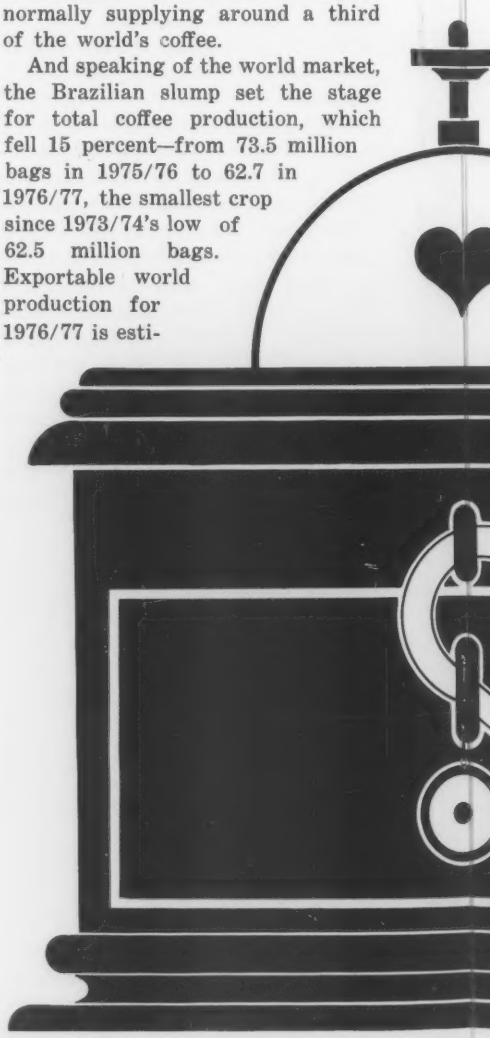
Severe cutback. While the bulk of Brazil's 1975/76 coffee crop was already safely harvested before Mother Nature struck her blow, the 1976/77 crop was reduced 59 percent—from 23 million bags (60 kilograms each) in 1975/76 to an estimated 9.5 million bags.

The country's exportable production (total harvested production less estimated domestic consumption) is assessed at 2.5 million bags for 1976/77, compared with 15 million bags in 1975/76.

Because coffee is grown on trees that require 3-5 years to produce commercial yields from seedling plantings, the effects of the 1975 freeze are likely to be felt for the next 3 years—the period of time Brazil may need to make a comeback to normal production. The 1977/78 crop is already expected to be significantly below average.

Coffee king. Why all the hoopla about Brazil's coffee problems, when over 50 other countries produce the beloved bean? Because Brazil is by far the world's leading producer (even during the disastrous 1976/77 crop year, the "Coffee Capital" managed to outproduce its nearest rival—Colombia—by a half million bags), normally supplying around a third of the world's coffee.

And speaking of the world market, the Brazilian slump set the stage for total coffee production, which fell 15 percent—from 73.5 million bags in 1975/76 to 62.7 in 1976/77, the smallest crop since 1973/74's low of 62.5 million bags. Exportable world production for 1976/77 is esti-



mated at 45.5 million bags, down from 55.3 a year earlier.

U.S. imports down. U.S. imports of the precious cargo—we are the world's biggest buyer, spending more each year on coffee than any other agricultural import—were down 2½ percent last year, from 20.3 million bags in 1975 to 19.8 in 1976.

At the same time, we paid a whopping two-thirds more for the 1976 imports—$2.6 billion compared with $1.6 billion the year before.

While the Brazilian frost was the primary factor behind the perking prices of the past year, other conditions added fuel to the fire, such as the civil disturbances in Angola, which decreased production by over 2 million bags; the earthquake in Guatemala and severe rains in Colombia, which delayed transportation of coffee to market; and the frost's occurrence in Brazil at a time when green coffee stocks were at low levels in both the U.S. and Europe.

U.S. stocks. Stocks held by U.S. roasters, importers, and dealers at the end of November 1975 were 3.8 million bags, compared with 3.2 a year earlier. Preliminary estimates for November 1976 were only 2.98 million bags.

By the end of the 1977/78 season, carryover stocks held in producing countries are expected to be well below the 20-million-bag level and may represent only a 3- or 4-month supply for world trade, although total supplies should be enough to meet the needs of the importing countries.

So, in effect, there really isn't a coffee shortage, although supplies are tight, and it's this tightness that has escalated prices.

No more hoarding. Consumers initially reacted to the price hike by hoarding coffee like they did sugar several years ago. Now, however, prices are so high that they seem unwilling to do this, and there's no evidence of stockpiling at the present time.

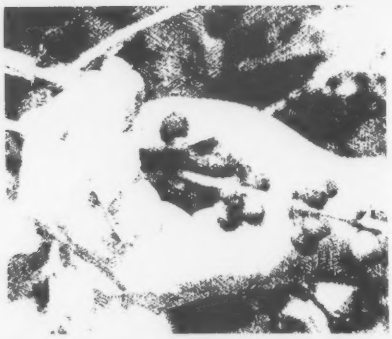
Another reaction—one with a more lasting effect—has been to reduce consumption. Coffee drinkers around the world are likely to sip at least 5 percent less of their favorite hot beverage over the next 3 years.

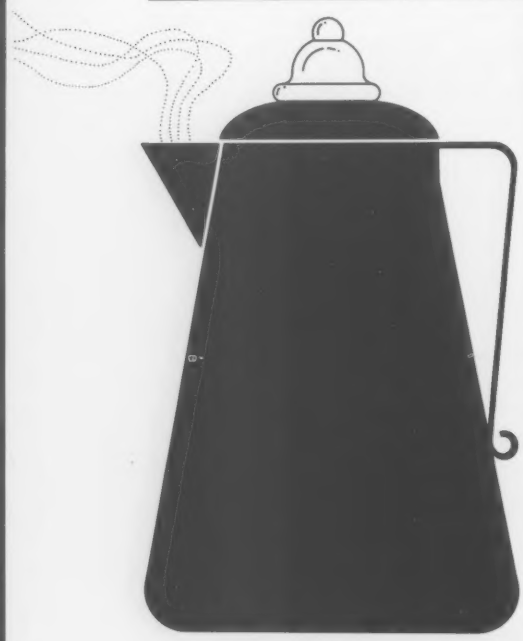
In the U.S. alone, consumers are expected to cut back their per capita consumption of coffee by as much as a pound (green bean basis) this year.

Americans sipping less. Actually, the trend away from coffee drinking in this country is not new. In 1962, per capita consumption was almost 16 pounds—the equivalent of about 3 cups a day for each American over 10 years of age. By 1976, per capita consumption had dropped almost 25 percent—to 12 pounds.

Back in the early 1960's, consumers weren't concerned about coffee prices. They started drinking less of the aromatic brew because they were spending more time out of the home and they felt hot beverages were less appealing with fast foods, such as pizzas and hamburgers. They were also beginning to worry about the "harmful to your health" stigma associated with excessive caffeine intake.

Coffee industry changes? Consumers have reacted to inflated coffee prices





in a number of ways, but are there any changes brewing in the coffee industry? One possibility is that regular roasted coffee might be packaged in a ½-pound or 12-ounce container, giving the coffee drinker the option of purchasing the costly item in smaller quantities.

Despite high prices, there doesn't appear to be a concerted effort in the producing countries to expand coffee acreage. However, in the long run, the limited expansion may result in a better balance between production and consumption.

[Based on special material from Thomas A. Warden, Foreign Demand and Competition Division; Fred Gray, Commodity Economics Division; and William C. Bowser, Foreign Agricultural Service.]

How Coffee Became America's Sweetheart

Before coffee became the world's pet pick-me-up, it was used at one time or another during its long and colorful history as a food, a wine, and a medicine.

In fact, the earliest written record of coffee was made by an Arabian physician toward the end of the 9th century, indicating its use as a drug. Medieval doctors prized the raw beans and prescribed them for a number of ailments.

According to legend, coffee was discovered 15 centuries ago by an Arabian goatherd named Kaldi, who became curious when he noticed that his goats became unusually frisky whenever they ate the bright, red berries from certain bushes. Trying the berries himself, he found them tasty and stimulating, and soon the news of Kaldi's discovery spread to the far corners of the earth.

In 16th-century Turkey, coffee became popular with the nonalcohol-drinking Arabian Muslims, who depended on the beverage's stimulating effect to prevent drowsiness during prolonged religious services.

Invading Turks carried coffee into Vienna. Later, Holland—which had already begun a worldwide trade from their colonies in Java—introduced the drink to the French.

The Dutch presented a seedling from one of their Java trees to Louis XIV in 1714. The Sun King had it planted under glass in the *Jardin des Plantes* in Paris, and, 8 years later, a seedling from this tree was carried by Captain Gabriel de Clieux to the French West Indian island of Martinique.

The Martinique seedling became the ancestor of all coffee plants in the New World, as seedlings were carried throughout the West Indies and the Guiana colonies.

Coffee drinking became so popular that early in the 17th century coffeehouses appeared in Constantinople and Venice, then later spread all over Europe. They were introduced to colonial America in the 1680's.

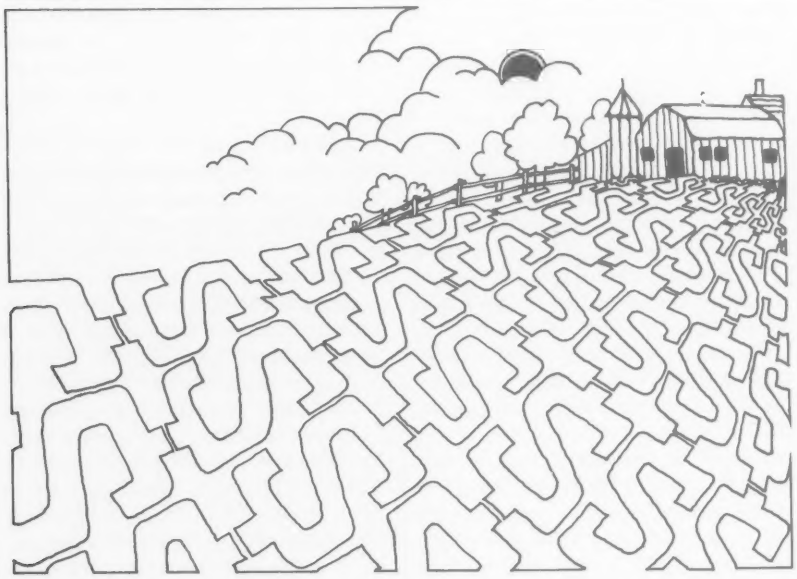
The early coffeehouses were centers of political, social, and literary influence. Essayists Joseph Addison and Richard Steele described coffeehouse frolics, and Johann Sebastian Bach wrote the "Coffee Cantata," a comic operetta in which a stern father warns his daughter against the lure of the coffeehouses.

Unfortunately, in colonial America, coffee was only for the well-to-do. Tea was actually more popular than coffee—though just as expensive—but tea was boycotted after the Stamp Act of 1765 and the tea tax of 1767. The Tea Act of 1773—which precipitated the Boston Tea Party and contributed to the start of the American Revolution—also instigated a colonial coffee mania, as coffee finally replaced tea as America's sweetheart beverage.

By 1882 the U.S. was importing 3 million bags (60 kilograms each) of coffee a year; within 60 years the import figure had jumped to almost 14 million bags.

Coffee continued to gain in popularity, and, after World War II, the U.S. was the largest consumer in the world. And even though there's been a trend away from coffee drinking in recent years, we still import about a third of the world's production each year.

High Stakes in the Country



One of the hottest properties in the U.S. is American farmland. It's selling at premium prices, and values are expected to continue rising.

The average acre of American farmland (continental U.S.) sold for a record $445 last November, up 17 percent from year-earlier levels. The 17 percent compares with previous year-to-year increases of 12 percent in November 1975, 21 percent in both November 1974 and November 1973, and 10 percent in November 1972.

Large value increases start. The really big year-to-year farmland value increases started about 1972, when foreign demand for U.S. agricultural products combined with other factors to set the ball rolling.

Some of these other factors were:

- Global weather problems caused poor farm output in many countries.
- Rising standards of living increased the effective demand for U.S. farm products.
- The American dollar was devalued, in effect making U.S. farm products more affordable overseas.
- World population increased.
- An apparent easing of world tensions resulted in increased foreign trade.

Some States last year didn't reflect the sharp national gain in land values. In Mississippi and Nevada, there were no increases. Illinois land prices, on the other hand, led the Nation in percentage increases—a whopping 41 percent.

Wide variations. Dollar values ranged from a low of $76 an acre in New Mexico to $2,852 an acre in New Jersey. Eleven States, seven of them in the populous Northeast, had per-acre farmland values exceeding $1,000. In only two States, New Mexico and Wyoming, did the average farmland values lie below $100 an acre.

Farmland prices are controlled by the classic principles of supply and demand economics. The less land there is available and the more people want to buy land, the higher the farmland price. Many factors influence the supply and demand equation, and they vary in importance from region to region. But most of them reflect the diverse interests competing for farmland on the "demand" side of the equation.

Expanding the farm. Farm expansion is the largest single reason for farmland purchases. According to a recent ERS study, 60 percent of all farmland transfers in the continental U.S. between March 1975 and March 1976 were for farm enlargement. Farmers experiencing high per-acre operating costs often try to reduce average per-acre costs by spreading them over more acres. Frequently, the strategy works, resulting in higher profits for the farmer.

Industry, too, wants land for expansion, and while pressure from industry is much less than pressure from farmers wishing to expand, in some areas it can be significant. Industry is often willing to pay more for land than farmers would.

Still another group seeking farmland is the homebuilders. Because of "metropolitan influence," which used to be called "urban sprawl," people living in the cities are build-

ing homes outside the city limits, but still in the urban area.

Suburbs are born. This gives birth to new suburbs, and many suburbs sit on former farmland. With 73 percent of the American public living in metropolitan areas, the "metropolitan influence" will remain important in future years.

Then there are the recreation-retirement developments which can take good land out of agricultural use forever.

The availability of farmland as well as demand for it is greatly dependent on commodity prices. When prices are up, the demand for farmland goes up because the attractiveness of farming is enhanced. At the same time, and for the same reasons, the willingness to sell the farm weakens. The result, in the tradition of supply and demand economics, is higher farmland prices.

Weather comes into play when commodity prices are considered, and weather's effect can also be felt in the real estate market. For example, if a wide area suffers a prolonged drought, forced sales of farmland for debt repayment or other cash needs could result. Many times, farmland sold under these circumstances can be bought at bargain prices.

Buyers are optimistic. Such is not the case now in the western Corn Belt, where there's been a drought the past year. Few sales have been reported, and prices received for farmland have remained high. The higher prices reflect the buyers' and owners' belief that better weather is ahead.

Farmland values, in the Northern Plains and Mountain States, on the other hand, reflect less optimism and lower buyer expectation for the future. Prices in these States have been fairly stable, either holding steady as in Nevada, or increasing at a rate below the national average, as in North Dakota (14 percent), and Utah (9 percent).

Nonfarmers are buying. A factor besides weather and commodity prices is the increasing extent of ownership of farmland by nonfarmers. Nearly 57 percent of the farmland in Illinois, for example, is leased or rented, and much of that land is owned by nonfarmers. In Iowa, 47 percent of the farmland in 1969 was leased or rented. Some retiring farmers keep their land, lease it out at comparatively low rates considering its value, and watch the value inflate over the years.

Part-time farmers, too, are contributing to the increasing demand for a limited amount of land. As of March 1976, 11 percent of all farm tracts transferred in the U.S. were purchased as part-time farms.

The farmland demand goes up if oil, coal, or other minerals are found on or near it, provided the mineral rights are under the landowner's control. In southern Illinois, for example, new-found coal deposits have spurred demand for the land.

Farm programs, too, can affect land demand. For years, the cotton program, with strict allotments, made some southern land much more valuable than it otherwise might have been.

Steady as she goes. Besides the demand factors, supply plays a strong role in establishing price. The number of farms is limited, and the number of farms for sale is even more limited. The scarcity of listings has helped drive the price of farmland upward. While the number of inquiries for farmland purchases has increased, the number of farms for sale has remained fairly steady since 1972.

What has not remained steady is credit availability, the one item that affects almost all land purchases, regardless of the location. More than any other factors, the willingness and the ability of lending institutions to provide money for land purchases affect all segments of the real estate market. Eighty-seven percent

Trust Plan for Farmland Investors

An "Ag-Land Trust" is something new in the farm real estate business, and it's sure to be a center of controversy.

The trust, or fund, was being proposed by a major securities firm and a large Midwest bank. The goal of the fund—which purchases blocs of farmland for investment purposes—is capital appreciation, rather than current income. It involves, initially, $50 million worth of shares in the fund offered to pension and profit sharing trusts.

The concept has been criticized sharply by some Federal legislators. In response to a request from one lawmaker, ERS is evaluating the potential impact of the "Ag-Land Trust" on the farming sector.

[Based on special material from Philip T. Allen, National Economic Analysis Division.]

of all real estate transfers between March 1975 and March 1976 relied on credit. Thus, the lending of money is the keystone of most land purchases.

One eye on tomorrow. Looking to the future, researchers say land values will continue rising, but by how much is difficult to gauge. Researchers rely heavily on reports on farmland values from reporters all over the Nation. These reporters are farmers, land brokers, county officials, institutional lenders, and others familiar with the farm real estate market. At the end of last year, half the reporters predicted farm values would rise at the rate of 5 percent or more for the year ending November 1, 1977. The other half of the reporters predicted little change; almost none predicted price decreases.

For 1977, prices are expected to continue upward. The biggest percentage increases will probably come from the Corn Belt States again, and from the Appalachian States. In the Corn Belt, high commodity prices—especially for corn (until recently) and soybeans—have bolstered farm enlargement, but there is also a scarcity of listings, a combination that often means high land prices.

In Appalachian States, scarcity of listings, the metropolitan influence, farm enlargement, and crop prices were most often listed as reasons for the expected surge in farmland prices.

[Based on Farm Real Estate Market Developments, Supplement No. 1, by Larry Walker, National Economic Analysis Division. Special material from David Brown, Economic Development Division.]

One American Farm

Lush, Midwest farmland purchased a century ago by sod-busting pioneers is paying dividends today to their great, great grandchildren.

Take the Karl Schmuhls, a fictional family from Volochisk, the Ukraine, who came to the U.S. in 1865.

They bought 200 acres of improved farmland in southeastern Iowa at $12 an acre, a typical purchase. The sod had already been broken in some fields, a house and sheds had been built, a navigable river was only a day away, and the railroad was to be built within 20 miles. New, unbroken land more to the west was available for $1.25 an acre, but Karl thought the expense was well worth the head start.

The family was only one of thousands to migrate from Eastern Europe to Iowa during the 1860's. Over the next 30 years, Karl farmed his land and watched the population of Iowa swell to more than 2 million, nearly three times its size when he moved West. He was one of the first to buy new farm equipment—the reaper, the steel plow, and other implements that were part of the first "Agrarian Revolution"—that helped him farm more acres more easily. He bought 200 more acres in 1880, at $25 an acre.

Karl Schmuhl II continued his father's tradition of farming wisely. The first 2 decades of the 20th century, however, nearly spelled disaster for the Schmuhls, as the rate of return for farm products dipped, wavered, and, in 1920, plunged to 3.9 percent. Like many other farmers, Karl had to sell 100 acres to pay his bills.

The forced sale, though, didn't result in land being sold at bargain basement prices. Demand was high because corporations and eastern speculators expected rapidly rising farmland and commodity prices, and they invested heavily. Karl sold his 100 acres for $325 an acre. Some Iowa farmers were getting $500 an acre.

From 1921 to 1930, the Iowa farm sector suffered an average of 1,500 foreclosures a year. In 1932, there were 6,400 foreclosures, and farmland values plunged to $65 an acre. Karl bought back the 100 acres, paying $65 an acre in 1933. The next year, son Edwin inherited the 400 acres.

Iowa farmland values stabilized for the next few years. By 1940, values had risen to only $79 an acre. But World War II's demands for farm products changed that.

Because of farm enlargement, the Schmuhls' farmland is in great demand. The family still has the same 400 acres it started with, but today the land is worth $1,222 an acre, up 175 percent in the last 4 years alone. The original investment of $12 an acre in 1865 has increased more than 100-fold.

[Based on special material from Larry Walker, National Economic Analysis Division.]

Commodity Profile

The Expanding Soybean

Soybeans have come a long way in the last half century—from a minor crop in a few States to an $8-billion commodity considered among the top 3 cash crops of the 1970's.

The huge expansion came with the discovery that soymeal makes an excellent high-protein livestock and poultry feed. And, it's competitively priced.

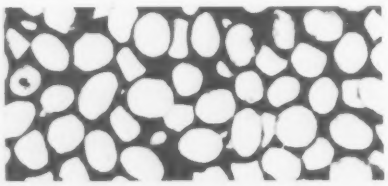
Burgeoning production. Production has mushroomed to meet soaring demand for several reasons. Among them:

- Better farm management has resulted in higher yields. Since 1924, yields have increased from 11 bushels an acre to about 25 bushels last year.
- More acreage has been available for soybean plantings in recent years because, while soybeans have been stuck on a per-acre yield plateau, yields for other competing crops have continued to rise sharply.

Up and down prices. The great production gains have, in recent years, encountered fluctuating prices. In crop year 1971/72, farmers received an average $3.03 a bushel for soybeans. In the last crop year, the price dipped to $4.60 a bushel, below the record set in crop year 1974/75—$6.64 a bushel.

The high price trend is muted by rising production costs. The average cost of producing soybeans was $70 an acre last year excluding land and management costs, ranging from $56 an acre in the Northern Plains, to $85 in the Southeast.

Low yields boost costs. The variance in costs comes with differences in yields. The Lake States-Corn Belt region—which produces over 60 per-



cent of the Nation's soybeans—has the highest yields. And the higher the yield, the lower the cost per bushel.

In 1968, the world produced 25 million metric tons of soybeans. By 1975, the figure was more than 66 million metric tons, but the U.S. share was dropping.

Shrinking world share. Until a few years ago, the U.S. produced nearly three-fourths of the world's soybeans. Although still far and away the leading exporter, our share is down to two-thirds.

The reason for the drop is the new, tough competition in the world market, led by Brazil. Brazil's share was 1.6 percent in 1968. Now, it's closer to 15 percent.

The outlook for the major soybean use—livestock and poultry feed—depends largely on the world economy and the resulting demand for meat. As the demand for meat goes up, so goes the demand for soybeans—a "triple threat": A high-protein feed, a meat substitute, and a salad oil. (A 60-pound bushel of soybeans yields nearly 11 pounds of oil.)

Combined, the three prime soybean uses could spell a glowing future for soybeans.

[Based on a background report for the Senate Agriculture Committee, by Duane Hacklander, Commodity Economics Division.]

COMMODITY PROFILE: SOYBEANS

Production:	**Estimated for 1976/77 crop year, 1.3 billion bushels, with a total value approaching $8 billion.**
Average prices:	**Estimated for 1976/77 crop year, more than $6 per bushel.**
Leading States:	**Illinois, Indiana, and Iowa.**
Foreign trade:	**The U.S. is the leading exporter, with about 67 percent of the world trade.**
Trends:	**Worldwide production and demand will increase, and the U.S. will face increasing competition in the world market.**

Economic Trends

[1] Ratio of index of prices received by farmers to index of prices paid, interest, taxes, and farm wage rates. [2] Average annual quantities of farm food products purchased by urban wage earner and clericalworker households (including those of single workers living alone) in 1959-61—estimated monthly. [3] Annual and quarterly data are on 50-State basis. [4] Annual rates seasonally adjusted fourth quarter. [5] Seasonally adjusted. [6] As of March 1, 1967. [7] As of March 1, 1975. [8] As of February 1, 1976. [9] Beginning January 1972 data not strictly comparable with prior data because of adjustment to 1970 Census data.

Source: U.S. Dept. of Agriculture (Agricultural Prices, Foreign Agricultural Trade and Farm Real Estate Market Developments); U.S. Dept. of Commerce (Current Industrial Reports, Business News Reports, Monthly Retail Trade Report and Survey of Current Business); and U.S. Dept. of Labor (The Labor Force and Wholesale and Consumer Price Index). NA = Not Available.

Item	Unit or Base Period	1967	1975 Year	1975 Dec.	1976 Oct.	1976 Nov.	1976 Dec.
Prices:							
Prices received by farmers	1967=100	—	186	186	178	173	179
Crops	1967=100	—	201	188	195	187	191
Livestock and products	1967=100	—	172	184	165	162	169
Prices paid, interest, taxes and wage rates	1967=100	—	181	184	194	193	195
Family living items	1967=100	—	166	171	179	180	181
Production items	1967=100	—	182	186	195	194	196
Ratio [1]	1967=100	—	102	101	92	90	92
Wholesale prices, all commodities	1967=100	—	174.9	178.7	185.2	185.6	187.1
Industrial commodities	1967=100	—	171.5	176.1	186.3	187.0	187.4
Farm products	1967=100	—	186.7	193.8	186.6	183.6	191.6
Processed foods and feeds	1967=100	—	182.6	181.0	174.9	174.8	179.0
Consumer price index, all items	1967=100	—	161.2	166.3	173.3	173.8	174.3
Food	1967=100	—	175.4	180.7	181.6	181.1	181.7
Farm Food Market Basket: [2]							
Retail cost	1967=100	—	173.6	178.8	174.4	173.1	173.0
Farm value	1967=100	—	187.1	191.7	169.0	168.4	171.1
Farm-retail spread	1967=100	—	165.1	170.7	177.8	176.1	174.2
Farmers' share of retail cost	Percent	—	42	42	38	38	38
Farm Income: [3]							
Volume of farm marketings	1967=100	—	115	125	163	157	NA
Cash receipts from farm marketings	Million dollars	42,817	89,563	8,043	10,257	9,582	NA
Crops	Million dollars	18,434	46,661	4,260	6,155	5,780	NA
Livestock and products	Million dollars	24,383	42,902	3,783	4,102	3,802	NA
Realized gross income [4]	Billion dollars	49.9	98.2	99.6	—	—	NA
Farm production expenses [4]	Billion dollars	38.2	75.5	75.7	—	—	NA
Realized net income [4]	Billion dollars	11.7	22.7	23.9	—	—	NA
Agricultural Trade:							
Agricultural exports	Million dollars	6,380	21,894	—	2,251	2,121	—
Agricultural imports	Million dollars	4,452	9,328	—	811	972	—
Land Values:							
Average value per acre	Dollars	168[6]	354[7]	—	403[8]	445	—
Total value of farm real estate	Billion dollars	182[6]	370[7]	—	421[8]	467	—
Gross National Product: [4]	Billion dollars	796.3	1,516.3	1,588.2	—	—	1,748.5
Consumption	Billion dollars	490.4	973.2	1,012.0	—	—	1,117.5
Investment	Billion dollars	120.8	183.7	201.4	—	—	249.0
Government expenditures	Billion dollars	180.2	339.0	353.8	—	—	376.8
Net exports	Billion dollars	4.9	20.5	21.0	—	—	5.2
Income and Spending: [5]							
Personal income, annual rate	Billion dollars	626.6	1,249.7	1,308.2	1,404.2	1,421.4	1,440.7
Total retail sales, monthly rate	Million dollars	26,151	48,702	51,734	54,634	55,657	57,371
Retail sales of food group, monthly rate	Million dollars	5,759	10,977	11,247	11,909	11,987	12,328
Employment and Wages: [5]							
Total civilian employment	Millions	74.4	84.8[9]	85.4[9]	87.8[9]	88.1[9]	88.4[9]
Agricultural	Millions	3.8	3.4[9]	3.2[9]	3.3[9]	3.2[9]	3.2[9]
Rate of unemployment	Percent	3.8	8.5	8.3	7.9	8.1	7.9
Workweek in manufacturing	Hours	40.6	39.4	40.3	39.9	40.1	40.1
Hourly earnings in manufacturing, unadjusted	Dollars	2.83	4.81	5.00	5.28	5.34	5.41
Industrial Production: [5]	1967=100	—	117.8	124.4	130.4	131.9	132.8
Manufacturers' Shipments and Inventories: [5]							
Total shipments, monthly rate	Million dollars	46,487	87,240	92,553	97,653	100,458	—
Total inventories, book value end of month	Million dollars	84,527	155,693	155,693	166,674	166,915	—
Total new orders, monthly rate	Million dollars	47,062	85,673	91,816	99,702	100,888	—

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